

Message Text

PAGE 01 STATE 016493

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INFO OCT-01 ISO-00 (ISO) R

66623

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R 250219Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TRIPOLI

S E C R E T STATE 016493

EXDIS

E. O. 1652: GDS

SUBJECT: ENERGY: CRUDE OIL PRICES

REF: TEHRAN 560

1. VERY MUCH APPRECIATE YOUR THOUGHTFUL EXPOSITION OF
FACTORS THAT SHOULD BE BORNE IN MIND AS WE ATTEMPT TO FOR-
MULATE A RATIONAL AND CONSTRUCTIVE APPROACH TO KEY OIL PRO-
DUCERS SUCH AS IRAN. WE SHARE YOUR FEELING THAT FOR THE
SECRET

PAGE 02 STATE 016493

TIME BEING WE SHOULD CONTINUE TO PURSUE THE MULTILATERAL
COURSE OF ACTION WE HAVE MAPPED OUT AND THAT A PRESIDENTIAL
ENVOY OR MESSAGE TO PRODUCER COUNTRIES WOULD BE PREMATURE
AND POSSIBLY COUNTERPRODUCTIVE FOR OUR EFFORTS TO LAY

GROUND WORK FOR A PRODUCER-CONSUMER CONFERENCE. WE AGREE THAT IF OUR DIALOGUE WITH PRODUCER COUNTRIES IS TO BE CONSTRUCTIVE WE MUST IN SOME MANNER DEAL WITH PRODUCER CONCERNS ABOUT THE INTERRELATIONSHIP OF OIL PRICES WITH THE PRICES OF OTHER GOODS, PARTICULARLY THOSE NEEDED BY OIL-PRODUCING COUNTRIES. KYI. OUR OWN PRELIMINARY CALCULATIONS INDICATE THAT WHILE INDUSTRIAL RAW MATERIAL AND AGRICULTURAL PRODUCTS HAVE INCREASED BY AN AVERAGE OF 75 PERCENT IN THE PAST YEAR, CRUDE OIL HAS INCREASED 350 PERCENT. END FYI.

2. WHILE WE WELCOME SAUDI RECOGNITION THAT PRESENT PRICES EXCESSIVE, WE DO NOT WISH TO IMPLY THAT PRICE REDUCTION SUGGESTED BY YAMANI WOULD SATISFACTORILY DEAL WITH PROBLEM. WE DO NOT WISH THEREFORE TO BECOME ENGAGED IN ANY FURTHER

REPRESENTATIONS TO OPEC PRODUCERS AT THIS TIME. WE THINK MORE EFFECTIVE APPROACH IS MULTILATERAL ONE WHICH WE WILL SEEK TO OBTAIN AT FEBRUARY 11 MEETING IN WASHINGTON AMONG KEY CONSUMERS. USG WILL IN THE MEANTIME CONTINUE POINT OUT HOW OIL PRICES ARE CAUSING ECONOMIC DISLOCATIONS TO CONSUMERS AND RELEVANCE OF ESCALATING OIL PRICING TO COST OF OTHER COMMODITIES IN INTERNATIONAL TRADE.

3. WE WELCOME FURTHER COMMENT FROM ALL ADDRESSEES. KISSINGR

SECRET

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